

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF TUCSON, ARIZONA

Minutes of the Regular Meeting of the Board of Directors

Thursday, February 21, 2019
2:30 p.m.

at the
Tucson Metropolitan Chamber of Commerce
465 W. Saint Mary's Road
Tucson, Arizona 85701

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| Present: Board Members | Gary Bachman Larry Lucero Judy Clinco Neal Eckel Sandra Barton |
| Staff | Charles Lotzar, Lotzar Law Firm, PC Karen Valdez, BDFC Advisor Services, LLC Gary Molenda, BDFC Advisor Services, LLC Gabriel Gomez, BDFC Advisor Services, LLC |
| Absent | Patricia Schwabe Meredith Aronson |
| Guests | Melissa "Mimi" Petro Paula Schaper, WestWordVision Mike Czechowski, City of Tucson |

The Regular Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the "**Authority**") was held on **February 21, 2019**, at the Tucson Metropolitan Chamber of Commerce, 465 W. Saint Mary's Road, Tucson, Arizona 85701. All Authority's Board Members and the general public were duly notified of the meeting. C. Lotzar had informed the Authority's Board of Directors that Arizona's Open Meeting Laws allow for members of the Authority's Board of Directors and legal counsel to appear and participate in the meeting telephonically so long as all participants in the meeting can hear and be heard.

| ITEM | ACTION TAKEN/TO BE TAKEN |
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| 1. Call to Order | The meeting was called to order at 2:30 p.m. |
| 2. Request for resolution to approve the minutes of the Regular Meeting of January 17, 2018. | A MOTION was made and seconded (N. Eckel / S. Barton) to approve the minutes of the January 17, 2019 Regular Meeting as presented. Approved 5-0. |
| 3. Request for resolution to approve the payment of invoices and the notification of items to be paid on the Authority's behalf by third parties. K. Valdez reviewed the list of invoices to be paid. It was noted that the Pima County Community Land Trust (" PCCLT ") submitted a request for sponsorship of their fundraising event to take place on Thursday, April 4, 2019 . Funds raised will enable PCCLT to continue operations and will allow for expansion /enhancement of programs | A MOTION was made and seconded (J. Clinco / S. Barton) to approve payment of invoices, as presented and to include sponsorship of the PCCLT fundraising event. Approved 5-0 |

Approved March 21, 2019

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| <p>that facilitate self-sufficiency and provide quality, affordable housing for at-risk families. C. Lotzar stated that at one time the Authority considered a merger with PCCLT within the past 2 years.</p> <p>G. Bachman noted that M. Tellez, Executive Director of PCCLT, is a former member of the Authority's Board of Directors.</p> | <p>A MOTION was made and seconded (J. Clinco / S. Barton) to approve sponsorship in the amount of \$500 to PCCLT for its fundraising event as presented. Approved 5-0.</p> |
| <p>4. Status report from the Liaison to City of Tucson, Arizona City Manager's Office related to:</p> <p>M. Czechowski provided updates on the following:</p> <p>a. The City's Economic Development Prospect list.</p> <p>b. The City's use of Economic Development tools.</p> <p>Government Property Lease Excise Tax ("GPLET") pending approval:</p> <ul style="list-style-type: none"> • Hotel Del Sol. • Hotel 6 on the frontage road. • Trinity office complex. • Union on Sixth (4th Avenue and 6th Street). • Main Gate project. <p>Primary Jobs Incentive, pending approvals:</p> <ul style="list-style-type: none"> • Northwest Hospital – Old Spanish Trail and Houghton. • Texas Instruments – William Center. • Modular Mining Systems – expansion. <p>Real Estate:</p> <ul style="list-style-type: none"> • Broadway Volvo – beginning re-zoning process. • Reactivating City owned property at the southwest corner of Speedway & Stone – assemblage of parcels with possible re-zoning. • Gifford's property at 22nd & Frontage Road – 2 interested parties. • Circle K at Congress & Frontage Road – Redesign to move to the North and to the East. • The Greenway will go in where the historic train tracks are currently located to the East of the Circle K. <p>c. Opportunity Zones.</p> <ul style="list-style-type: none"> • The City of Tucson is not running the Opportunity Zones nor has any oversight or authority on funds, projects, etc. • The State will create a data base for those creating a fund. <p>e. Current items of interest.</p> <ul style="list-style-type: none"> • J. Clinco will be reappointed for another 6-year term at the March 19, 2019 Mayor & Council meeting. • The new Economic Initiative's Director, Barbara Coffee, will start on February 25, 2019. Ms. Coffee has more than 23 years of experience | <p>No action taken.</p> |

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| <p>in Economic Development and Downtown Redevelopment. Ms. Coffee served as Director of Economic Development & Tourism in Henderson, Nevada from 2013 – 2019.</p> <ul style="list-style-type: none"> • A meeting originally scheduled on March 11, 2019, with the Tucson City Manager, to discuss 450 N. Main, will be rescheduled to a date after March 13, 2019 and will be attended by M. Czechowski, C. Lotzar, and L. Lucero. | |
| <p>5. President's Report: Summary of current events, including items brought to the President's attention or matters that required handling by the President since the last meeting:</p> <p>a. Introduction of Melissa (Mimi) Noshay-Petro, Mayor & Council appointment to the Authority's Board of Directors effective March 12, 2019</p> <p>b. "State of the City" address to be held on March 1, 2019 at the Tucson Convention Center, 260 S. Church Avenue, Tucson, Arizona 85701</p> <p>c. 2019 NALHFA Annual Conference - May 15 - 18, 2019, Hilton Denver City Center, 1701 California Street, Denver, Colorado</p> | <p>No action taken.</p> |
| <p>6. Status report related to sponsorship request received for the National Association for County Community and Economic Development ("NACCED") conference to be held in Tucson, Arizona October 2019.</p> <p>G. Bachman stated that the National Association of County Community and Economic Development ("NACCED") 2019 conference will be held in Tucson during the month of October. It was noted that NACCED is an organization of County Community Development jurisdictions of which Tucson is an important member. G. Bachman stated that he is a past President of this organization. The Industrial Development Authority of the county of Pima ("Pima IDA") is also being asked to sponsor. The deadline for sponsorship submission is September 6, 2019. It was the consensus of the Authority to address this issue at the March 21, 2019 Regular Meeting.</p> | <p>Continued to March 21, 2019 Regular Meeting.</p> |
| <p>7. Status report concerning recommendation from the Loan Review Committee concerning a request from Business Development Finance Corporation ("BDFC") for participation in a loan with BDFC in an amount not to exceed \$125,000 related to BDFC's loan to Ermanos Craft Beer & Wine Bar for its business to be operated at 220 N. 4th Avenue, Tucson, Arizona 85705, and request for resolution for all actions related thereto.</p> <p>C. Lotzar stated that on these types of small business loans, Business Development Finance Corporation ("BDFC") completes the underwriting, closing and servicing of the loans. The Lotzar Law Firm does not participate in these loans.</p> <p>S. Barton, Chair of the Loan Review Committee ("Committee"), stated that the Committee met on February 13, 2019 to review this request to participate with BDFC on a \$125,000 term loan to Ermanos Craft Beer Depot, LLC ("Ermanos") to fund the construction of their portal space (tenant improvements), purchase equipment, and to fund working capital. Basis of eligibility within Section 3(a) of the Loan Policy:</p> <ul style="list-style-type: none"> • Economic Development, • Promoting downtown development, and • Job Creation – 6 full - time employees ("FTE") <p>Upon review, the Committee is recommending approval of this participation loan request.</p> <p>Discussion ensued and it was the consensus of the Authority to accept the recommendation of the Committee and approve the participation loan as presented.</p> | <p>A MOTION was made and seconded (L. Lucero / N. Eckel) to accept the recommendation of the Loan Review Committee and approve participation in a loan with BDFC, in an amount not to exceed \$125,000, related to BDFC's loan to Ermanos Craft Beer Depot LLC, as presented.</p> <p>Approved 5-0</p> |
| <p>8. Status report concerning recommendation from the Loan Review Committee concerning a request from Business Development Finance Corporation ("BDFC") for participation in a loan with BDFC in an amount not to exceed \$140,000 related to</p> | <p>A MOTION was made and seconded (N. Eckel / L. Lucero) to accept the recommendation of</p> |

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| <p>BDFC's loan to Conformatech for its business to be operated at 1425 E. Apache Park Place, Tucson, Arizona 85714, and request for resolution for all actions related thereto.</p> <p>S. Barton reviewed this request from BDFC for participation in a loan to Conformatech, an environmental consulting company in Tucson. The requested loan amount is \$140,000 to refinance existing debt and to provide working capital. Conformatech has been in business in Tucson for 18 years.</p> <p>Basis of eligibility within Section 3(a) of the Loan Policy:</p> <ul style="list-style-type: none"> • Economic Development, • Stabilization of a local business, • Job Creation – 2 FTE, and • Job Retention – 12 FTE. <p>Discussion ensued and it was the consensus of the Authority to accept the recommendation of the Committee and approve the participation loan as presented.</p> <p>G. Molenda stated that the Business Development Finance Corporation Loan Committee has not yet reviewed or approved these 2 loans. Both loan requests (Conformatech and Ermanos) will be reviewed by BDFC in March 2019.</p> | <p>the Loan Review Committee and approve participation in a loan with BDFC, in an amount not to exceed \$140,000, related to BDFC's loan to Conformatech Inc., as presented. Approved 5-0</p> |
| <p>9. Disclosure of relationship by S. Barton, status report regarding the current investment and banking activities of the Authority and request for resolution for any actions related thereto.</p> <p>S. Barton declared a conflict and is recusing herself from discussions related to investment and banking activities and to avoid the appearance of impropriety physical left the meeting.</p> <p>N. Eckel reviewed:</p> <ol style="list-style-type: none"> 1. Memorandum to the Authority's Board of Directors dated February 13, 2019, 2. A draft – Request for Proposal for Banking Services, 3. The Authority's Investment Policy Statement, and 4. List of the Authority's cash and cash equivalent accounts as of January 31, 2019. <p>It was noted that the Authority has a checking account at Tucson Old Pueblo Credit Union ("TOPCU"), in addition to a certificate of deposit ("CD") that will be maturing on March 18, 2019.</p> <p>It was the consensus of the Authority to close accounts at TOPCU upon maturity of the CD.</p> <p>N. Eckel stated that based on a quick web search of the Local First Arizona website, the recommendation is to invite 3 banking services providers to submit proposals.</p> <p>It was the consensus of the Authority to accept the recommendation and proceed as proposed.</p> | <p>A MOTION was made and seconded (L. Lucero / J. Clinco) to proceed with a Request for Proposal for investment and banking services, as presented. Approved 4-0 (S. Barton did not participate/vote)</p> <p>A MOTION was made and seconded (N. Eckel / J. Clinco) to close accounts at Tucson Old Pueblo Credit Union upon Certificate of Deposit Maturity in March 2019. Approved 4-0 (S. Barton did not participate/vote)</p> |
| <p>10. Status report related to existing programs, and potential activities, pursuant to the "Goals" of the Authority, and request for resolution related to any action related thereto.</p> <p>P. Schaper, WestWordVision, reviewed status of the 2nd Phase of the website including testimonials received to date. The brand strategy has been converted into a content document with input received integrated.</p> | <p>No action taken.</p> |

Making progress on:

- Getting a site map together,
- Content for a new website,
- Contacting mortgage lenders and more will be contacted, and
- Not all participants will say yes to publishing comments or agreeing to photos.

Discussed photos:

- Would like photos of those who have benefited from programs.
- Small businesses – both nonprofits and for-profit community loan borrowers.
- Customers and/or employees of borrowers to show ripple effect of who benefits.
- Can take approximately **20** locations on a **3**-day photo shoot schedule.
- After looking at **3** different photographers, P. Schaper selected Robin Stancliff, a visual story teller with a good mix of advertising and journalism. Reviewed a sampling of photos.

Next steps:

- Map out photo locations for a **3**-day shoot; which will require photo releases.
- Discussed having additional art related photos from current and prior loans funded.
- Taking photos of homes purchased may show that borrowers may be able to qualify for more than what they think they can.

P. Schaper noted that she has been unable to meet with P. Schwabe and M. Aronson due to conflicting schedules. A general consensus may be all that is needed regarding the “interactive features”.

- Calculator – math equations would be needed.
- Portfolio Map – clickable program locator. Pop up would have top level information.
- Surveys and polls are free.
- Customer generated reviews for a monthly fee.
- Customer forms – **3** are included in the scope. P. Schaper can work with the committee on location of those forms on the website.
- Live chat pop ups and help screens vary from **\$5** to **\$200** per month.

Discussion

- K. Valdez stated that for the homebuyer programs, a calculator would not be beneficial given that the Mortgage Lender is the one who will qualify Borrowers for a mortgage loan. Many of the Mortgage Lenders, and certainly the Tucson Association of Realtors, have mortgage calculators on their websites.
- G. Gomez stated that the Business Development Finance Corporation (“**BDFC**”) website has a payment calculator for business loans, however rates and terms would be needed in order to use the calculator.
- G. Bachman stated that calculators can be as misleading, as they are helpful.
- Consensus is that clients do not want to be overwhelmed and their preference is to trust that we will do what is in their best interest. Comments received from Borrowers (including homebuyer’s) is that the process is easy and streamlined.

It was the consensus of those present that an Interactive Map would be more beneficial, and calculators would not bring much value to the Authority’s purposes.

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| <p>11. Status report related to the “Pathway to Purchase Program” within the “Pima/Tucson Homebuyers Solution Program” and request for resolution related thereto. Pursuant to Arizona Revised Statutes Section 38-431.03(A)(1)(3) and/or (4), the Authority may vote to recess and meet in Executive Session for discussion or consultation with and to provide direction to the Authority’s legal counsel relating to this item. Any action taken by the Authority regarding this matter will be taken in open meeting session (either at this meeting or later) after the adjournment of the Executive Session.</p> <p>C. Lotzar reviewed the Pima Tucson Homebuyer’s Solution (“PTHS”) Program monthly report noting the Investor Trustee amount total over \$562,000,000 although the total pipeline over time (inception in December 2012 through January 31, 2019) is substantially greater at over \$637,000,000 and a total loan count of 4,490. The program continues to have good originations with average loan size of \$142,000 to \$168,500.</p> <p>Mr. Lotzar reported that income limits were recently adjusted downward to \$66,200, as of January 1, 2019, by Fannie Mae on all Fannie Mae HFA Preferred loans. The Authority is designated a Housing Finance Agency (“HFA”) and therefore receives preferential pricing on their loan programs. All other loan products in the program: FHA, VA, USDA, and Freddie Mac HFA Advantage remain at an income limit of \$99,169. With this change, US Bank who is the Master Servicer for the program, has updated their Seller Guide.</p> <p>C. Lotzar stated that the Tucson Pathway to Purchase (“Tucson P2P”), a similar down payment assistance (“DPA”) program within the PTHS Program offers DPA of 10% of the purchase price up to \$20,000. The assistance is in the form of a 2nd mortgage that is forgiven after 5 years. Mortgage in the program is closer to market rate as opposed to the PTHS Program which has assisted rate loans which are slightly higher than market rates.</p> <p>The Tucson P2P Program is limited to 11 zip codes located in Pima County.</p> <p>Discussion ensued regarding the programs in addition to Lender recognition as follows:</p> <ul style="list-style-type: none"> • Lender Appreciation Reception was held by the Authority and the Pima IDA in December 2018. • Additional plans for recognizing Lenders? <ol style="list-style-type: none"> 1. Highlight Lenders as well as Loan Officers on the websites (the Authority and the Pima IDA); and 2. Schedule another Lender Appreciation Reception after the conclusion of the P2P Program which is scheduled to go through June 2019. • Discussed hedging (buy to the sell) of the Mortgage Back Securities. Once per quarter the Authority and the Pima IDA get a check, shared 50/50. • Additionally, when the program was structured with the Arizona Department of Housing (“ADOH”), 100% of fees (frontend and backend) to ADOH are deposited into the Tucson Rapid Rehousing Fund for use in Pima County, Arizona. • In the first phase of the Tucson P2P (2016 – 2017) contributed \$3,556,642.71 to the Tucson Pima Rapid Rehousing Fund. • In the second phase of the Tucson P2P (2018 – onward) contributed \$4,280,157.47 to the Tucson Pima Rapid Rehousing Fund. | <p>No action taken.</p> |
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| <p>12. Status report regarding The Industrial Development Authority of the City of Tucson, Arizona Single Family Mortgage Credit Certificate Program of 2017 and request from The Industrial Development Authority of the County of Pima to establish a Joint Single Family Mortgage Credit Certificate Program, and request for resolution for all actions related thereto Pursuant to Arizona Revised Statutes Section 38-431.03(A)(1)(3) and/or (4), the Authority may vote to recess and meet in Executive Session for discussion or consultation with and to provide direction to the Authority's legal counsel about this item. Any action taken by the Authority regarding this matter will be taken in open meeting session (either at this meeting or later) after the adjournment of the Executive Session.</p> | <p>A MOTION was made and seconded (S. Barton / J. Clinco) to adjourn Regular Session at 3:58 p.m. to discuss item in Executive Session. Approved 5-0</p> <p>Regular Session resumed at 4:13 p.m.</p> <p>A MOTION was made and seconded (N. Eckel / J. Clinco) to direct C. Lotzar, as the Authority's Counsel, to respond to the Pima IDA letter and politely decline request. Approved 5-0</p> |
| <p>13. Status Report related to the potential sale, development, construction, equipping and /or operation of a project on (a) 450 N. Main, (b) Block 174, and (c) Block 175 and request for resolution related thereto; which may include formally ratifying the direction previously given to legal counsel. Pursuant to Arizona Revised Statutes Section 38-431.03(A)(1)(3) and/or (4), the Authority may vote to recess and meet in Executive Session for discussion or consultation with and to provide direction to the Authority's legal counsel about this item. Any action taken by the Authority regarding this matter will be taken in open meeting session (either at this meeting or later) after the adjournment of the Executive Session.</p> <p>C. Lotzar recapped activities to date:</p> <p>Block 175:</p> <ul style="list-style-type: none"> • Competitive process to select Broker. • Marcus & Millichap as Broker went to the market with a “whisper price” of \$11,000,000 anticipating property would be rezoned to a planned area development (PAD). • Market unwilling to attempt re-zoning, so the whisper price was determined to be too high. • Marcus & Millichap remarketed the property with an asking price of \$7,100,000. • Only responses received were from investors who wanted to operate the property as a commercial parking lot. • In December 2018 the Authority took property off market. • The Authority continue to receive inquiries about the property, but there have been no new offers. • If property is to remain as a commercial parking lot, then there is no reason for the Authority to sell it. <p>Block 174:</p> <ul style="list-style-type: none"> • Made inquiries to purchase adjacent properties; completed appraisals and submitted offers to purchase adjacent properties. • No agreements have been reached with the seller of the adjacent property on Stone. The seller is requesting a price well above the appraised value. <p>450 N. Main:</p> | |

- In **2010** the Authority purchased the property.
- St. Mary's road was realigned, and the excess right of way that was created was transferred by the City of Tucson, Arizona (the "**City**") to the Authority with an agreement that the property be developed as affordable housing/mixed use (the "**City Agreement**").
- In **September 2018** the Building on the site, formerly known as Arts Bar-B-Que, was demolished and the site was cleaned up.
- The property scored high for a **2019 9%** low-income housing tax credit competitive application. However, there were no tax credit developers interested in the property, because the site is simply too small.
- In **2018** the Authority began working with the City to have the City Agreement clarified and amended, in order for the Authority to market the property initially for an affordable housing development and if unsuccessful, then the Authority could market the property for another use.
- In **2018** the property was appraised at a fair market value of **\$400,000**. The appraisal determined that the highest and best use of the property was for garden style office and not as an affordable housing.
- In **January 2019** the Authority attempted to determine the level of interest that the market had for the site by placing 2 large signs on the property. So far only **1** call has been received in response the 2 signs.

14. Status report related to potential Arizona legislation regarding the Industrial Development Financing Act and Private Activity Bonding Allocation Act and request for resolution related thereto. Pursuant to Arizona Revised Statutes Section 38-431.03(A)(1)(3) and/or (4), the Authority may vote to recess and meet in Executive Session for discussion or consultation with and to provide direction to the Authority's legal counsel about this item. Any action taken by the Authority regarding this matter will be taken in open meeting session (either at this meeting or later) after the adjournment of the Executive Session.

C. Lotzar stated that the Authority hired Veridus due to a threat from The Industrial Development of the City of Phoenix, Arizona (the "**Phoenix IDA**") who is looking to expand its affordable housing program jurisdiction statewide, including the City of Tucson.

Mr. Lotzar reported that he has had meetings with The Industrial Development Authority of the County of Maricopa (the "**Maricopa County IDA**"). The Maricopa County IDA's lobbyist is Courtney LeVinus and she also represents the Arizona Multifamily Housing Association. Based on the initial meeting, it appears that Ms. LeVinus will often defer to Veridus.

The current status of things:

- Veridus tracks legislation on a monthly basis on behalf of the Authority.
- The Phoenix IDA has not caused new legislation to be introduced.
- Arizona Multifamily Housing Association is actively lobbying in favor of **3** bills.
- Mr. Lotzar has formed Arizona Affordable Housing Development, Inc., Arizona nonprofit corporation ("**AAHD**") that intends to serve as an advocacy group that is focused on the low - income housing tax credit ("**LIHTC**") program.
- AAHD is supporting passage of **HB 2365**; which deals with the creation of a state housing tax credit program. **HB 2365** has passed through the House Ways & Means Committee and headed to the House Rules Committee. Mr. Lotzar

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| <p>expects HB 2365 to have some level of amendment to it. There still has a long way to go.</p> <ul style="list-style-type: none"> In Arizona multifamily housing is taxed differently in every County. The Lotzar Law Firm, PC has provided the Maricopa County Assessor with ideas on uniformity of application. | |
| 15. Call to the Public | |
| 16. Adjourn | <p>A MOTION was made and seconded (N. Eckel / L. Lucero) to adjourn the meeting at 4:40 p.m. Approved 5-0</p> |

Submitted by:

Approved by:

Karen J. Valdez
Business Development Finance Corporation

Larry Lucero, Vice President
The Industrial Development Authority of the
City of Tucson, Arizona

Approved March 21, 2019